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January 2, 2001

Mr. David Ikari
Chief Dairy Marketing Branch
California Department of Food and Agriculture
P.O. Box 942871
1220 N Street, Room A-224
Sacramento, CA 95814-5621

Re: Petition for Hearing to Consider Changes to the California Pooling Plan for Market Milk with
Regard to Imperial County.

Dear Mr. Ikari:

I respectfully submit this Petition for Hearing to Consider Changes to the California Pooling Plan for Market Milk with Regard to Imperial County pursuant to the California Food and Agricultural Code Sections 62717.

This petition relates to Article 9.2, Transportation Adjustments for Ranch to Plant Shipments, Section 921.2 of the California Pooling Plan for Market Milk allowance, subsection (e), (e)(1) and (e)(2).

I. SUMMARY OF PROPOSAL:

- San Diego County be included in (e) as a receiving area for Southern California.
- Imperial County be removed from (e)(1) as a county to receive no transportation allowance.
- Imperial County be added to (e)(2) as a county to receive a transportation allowance.

II. BASIS OF PROPOSAL:

A. Background

Imperial County is currently excluded from the transportation credit and allowance system. Existing and future dairies in the Imperial County must either ship their fluid milk to San Diego, Chino, or Phoenix, Arizona at distances ranging from 120 to 250 miles. The only other option is to ship into Mexico at far less favorable prices. The lack of transportation allowance for Imperial County has constituted a state-imposed competitive disadvantage to the County's development and local economy.

IV CONCLUSION:

These proposed amendments will put Imperial County on a level footing with the Southern San Joaquin milk producing areas which are shipping to Southern California attracting dairies which are relocating from the Chino area. These dairies are relocating primarily due to urban encroachment and compliance with environmental regulations. Additionally, some of these dairies are relocating out of California into neighboring states where the environmental regulations are less stringent. Imperial County is not facing the same strict environmental issues that other areas of the state are, specifically as they pertain to groundwater and manure disposal. The existing transportation allowance structure lacks the flexibility to allow appropriate adaptations to new trends in urban growth and producer/plant location. We look forward to your favorable consideration of this proposed hearing petition.

PROPOSED CHANGES TO POOLING PLAN

(Attachment 1)

AMEND Section 921.2 as follows:

Section 921.2. Transportation allowances shall be calculated on the constructive miles from the dairy farms to the location of the plant of first receipt, subject to Sections 921 and 921.1, and shall apply to all pool milk.

- (e). For plants located in the Southern California receiving area, which shall consist of the counties of *San Diego*, Los Angeles, Orange, and Ventura:
 - (1) From Inyo, Los Angeles, Mono, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties: \$0
 - (2) From *Imperial*, Kern, Kings, and Tulare Counties:

Sincerely,



Stephen L. Birdsall
Agricultural Commissioner

The transportation credit and allowance system in its current state is highly inequitable and a major unfair disadvantage for ranch-to-plant shipments from Imperial County. Milk plants in deficit areas have favored purchases from producers and plants in areas that receive a transportation allowance. The fact that Imperial County does not receive a transportation allowance puts future producers in the Imperial County at a considerable competitive disadvantage in selling to current and future deficit-area plants.

The current trend of producers is to relocate away from the highly urbanized areas of Southern California due to urban encroachment and enforcement of environmental issues. As this occurs milk will need to be transported from more distant areas from those deficit areas. This disparity in transportation allowances between Imperial County and Southern San Joaquin Valley areas has contributed to the over-concentration of producers in that area, which is already posing environmental concerns.

There is also a trend of producers relocating from these same areas to neighboring states due primarily to their less restrictive environmental regulations. This loss of commerce will have an adverse effect on the economy of the entire state.

Imperial county, which could provide producers with the economic advantage of low-cost access to high-quality feed, has often been overlooked as a site for future dairies, due in part to the inequitable transportation allowance system. This has been an unfair disadvantage to the County which seeks to attract dairy development.

B. The Current Pooling Plan Undermines the Purpose of the Stabilization and Pooling Plans, as Applied to Imperial County.

Section 62074.5 states that a stabilization and marketing plan may contain provisions necessary to encourage the availability of market milk for those usages for which Class 1 and Class 2 milk is mandatory.

Section 61810 states that Chapter 1 (commencing with Section 61301), Chapter 2.5 (commencing with Section 62500 and Chapter 3 (commencing with Section 62700) shall be liberally construed as being complementary of, and supplemental to, this chapter, and these chapters shall constitute a single comprehensive scheme for the regulation of the production and handling of market milk. Thus our proposed amendments to the Pooling Plan are consistent with the intent of Sections 62810 and 62074.5

III. SECRETARY'S AUTHORITY TO TAKE REQUESTED ACTION:

Petitioners are seeking an amendment to the pooling plan to recognize Imperial County as a current and future milk producing area

The director has the authority to amend the plan pursuant to Section 62717.